[Sri A. J. John]

Centre. The computation of the net revenue gap payable annually to this State under the agreement of federal financial integration has been completed and is now awaiting the approval of the Government of India. As a result, the State is expected to receive a sum of Rs. 307·57 lakhs for each of the first 3 years 1950—53, Rs. 282·24 lakhs for each of the next two years and thereafter amounts tapering down to Rs. 227·80 lakhs by the end of 1959—60. Details of the apportionment of the liabilities and assets between this Government and the Government of India and the sharing between them of the specific productive capital assets with the specific debts attached to them have also been worked out and are being finalised, It is expected that this question will be finally settled before the beginning of the next financial year. By this arrangement, the Government of India will take over the debt of Rs. 144·40 lakhs attached to the Quilon-Shencottah Railway, and of Rs. 70 lakhs raised by the Cochin Government for the Shoranur-Cochin Railway. Of the remaining public debt, they will take over the responsibility for liquidating about Rs. 60·00 to Rs. 62·00 lakhs. In the result, the State will pass on to the Centre with effect from the 1st April 1950 the responsibility for liquidating a total public debt of about Rs. 274 lakhs. Apart from these adjustments which are the direct result of fedral financial integration, the Government of India have also sanctioned substantial grants for "Grow More Food Schemes" and loans for financing Hydro-Electric and other schemes.

'Agency' Departments

5. For administrative reasons, the State has been managing some of the federal services on an agency basis even after financial integration. It is now proposed that the agency arrangement in respect of the Anchal Department should be terminated at the end of this financial year and that the Centre should take over the administration directly under its control, The consequential arrangement regarding Anchal Savings Bank is still under negotiation. This change, we are assured, will not involve any curtailment of the extensive rural service now offered by the Anchal Department. At the same time it is expected that the employees of the Anchal Department will derive the advantages of the higher scales of pay and better conditions of service enjoyed by the employees of the Post and Telegraph Department.

Food Subsidy

6. The question of the price of food grains and the burden of subsidising their sales on the finances of the State, is causing the Government considerable anxiety. From the 1st October 1948 to the 31st March 1950 the Government of India were meeting 50 per cent of the loss incurred by this Government on the subsidised sale of imported rice. Before the scheme of food subsidy by the Centre was extended to the State, the issue price of rice from Government Depots was about Rs. 21 per maund. In October 1948 the issue price of rice was reduced to Rs. 19 per maund and from 20th November 1949 it was still further reduced to Rs. 16—15—3 per maund, (*i.e.*, to say Rs. 17—12—0 per maund to the consumer) on the assurance of enhanced subsidy by the Centre at the rate of 75 per cent of the loss, as a result of federal financial integration, with effect from 1st April 1950. The Government of India have now decided to revise the scheme of food subsidy and to limit their commitments to subsidising the sale of food grains in a few selected urban and industrial centres in each State. If this scheme is strictly applied, we would not be eligible for any subsidy because there are no urban or industrial centres of the type selected in this State. However, recognising our peculiar position as a heavily deficit State in foodgrains, the Government of India have offered us a lump sum grant of Rs. 1·5 crores in 1951. This offer, if accepted would throw on

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